

AR44



DYNASTY EXPLORATIONS LIMITED

1968 REPORT TO SHAREHOLDERS

The last three Annual Reports have outlined the growth of Dynasty from initial exploration in 1964; through discovery of the Faro zinc-lead-silver orebody in central Yukon and formation of Anvil Mining Corporation in 1965; through development, feasibility studies, negotiation of sales contracts, government agreement, and financing in 1966; to start of construction in 1967. Details of the Anvil project were presented in the May 1968 prospectus for financing of a \$6,500,000 debenture issue through Richardson Securities of Canada. This financing secured Dynasty's 40% interest in Anvil Mining Corporation in which our joint venture partner, Cyprus Mines Corporation of Los Angeles, holds 60%.

Anvil Mining Corporation

Assured reserves are approximately 63.4 million tons, averaging 5.72% zinc, 3.40% lead and 1.1 ozs./ton silver. Designed mill capacity is 5,500 tons of ore per day with total estimated annual production of 240,000 tons of zinc concentrates and 130,000 tons of lead concentrates containing 2,500,000 ounces of silver. Production is expected to start late in 1969 and this total output, under eight-year sales agreements, will be shipped to Mitsui Mining & Smelting Co. Ltd. and Toho Zinc Co. Ltd. of Japan for smelting. Concentrates will be transported 235 miles by truck to Whitehorse, 110 miles by rail to Skagway, Alaska, then to Japan in ocean-going vessels. The White Pass & Yukon Corporation is proceeding with terminal facilities in Skagway for ship-loading of concentrates.

By March 1, 1969 plant construction was 61% complete and on schedule; over four million cubic yards of waste material had been removed from the open pit area representing 64% of the estimated total pre-production stripping; design was 99% complete and procurement 98% complete; and the primary crusher was at the site ready for installation.

An agreement was concluded with the Yukon Territorial Government for joint development of a townsite officially named Faro. This will be an open municipality, in which Anvil is allocated building lots for construction of employee housing and recreation facilities in return for its share of development cost. Work started on the townsite late in 1968.

Also in 1968 the Federal Government completed the Ross River-Carmacks road link to connect the mine with Whitehorse. Development of power supply and transmission line from Whitehorse to the mine was 78% complete by March 1, 1969 with scheduled completion May 15, 1969.

Project financing is being provided by one Canadian and three U.S. banks, which are lending up to U.S. \$42 million if required, in addition to the approximately U.S. \$18.8 million supplied by Cyprus and Dynasty as capital and subordinated debt. As of March 1, 1969 total project expenditures were U.S. \$45.7 million.

Exploration Re-entry

With financing completed and the Anvil project nearing completion, Dynasty is re-entering diversified mineral exploration. This is being accomplished by pooling of financial and personnel resources with Atlas Explorations Limited, an aggressive exploration organization managed by some of the principals of Dynasty, and in which Dynasty is the major shareholder, having 600,000 shares. The agreement with Atlas provides for increase of those holdings to 1,200,000 shares or 25% of the issued capital. In this way Dynasty will indirectly participate in projects, properties, and assets of Atlas which include 183,100 shares of Dynasty; a producing oil well; a proven natural gas field being placed into production, and a small copper mining operation in Chile. Atlas has an experienced exploration organization which is continuing to explore for oil and gas on both wholly-owned and joint venture acreage in Ontario, for major porphyry copper deposits on the Sierra Gorda project in Chile, and for minerals in two large joint venture mineral exploration projects in Yukon, one with Mitsui Mining & Smelting Co. (Sheldon Project) and the other with Quebec Cartier Mining Co. and Philipp Brothers Canada Limited (Hess Project). For further details the reader is referred to a November 1968 pictorial brochure and recent Annual Reports of Atlas. Exploration and development expenditures on the foregoing programs are estimated to total about \$2,300,000 of which approximately \$1,000,000 may be provided through Atlas and the remainder through joint venture partners, banks or other sources.

The acquisition of additional shares of Atlas and the financing for new joint projects with Atlas is being accomplished by a public issue of 200,000 treasury shares of Dynasty. Both companies have also agreed to give each other the right of first refusal to participate in their existing projects.

On October 31, 1968, the shares of the company were listed for trading on the Toronto Stock Exchange.

Tintina Project

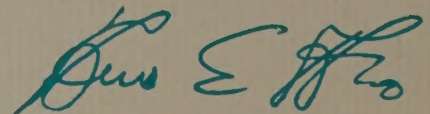
Another major new exploration project called the Tintina Project is being started in Yukon and Alaska, shared 60/40 by Dynasty and Atlas on the new basis set forth above. The project is based on close regional relation of large orebodies such as the Sullivan and Anvil to the Rocky Mountain-Tintina trench system, and numerous other factors of mineral occurrences compiled by our organization. A preliminary program costing about \$230,000 is planned for the 1969 season with followup work totalling about \$3 million in consecutive years. On a regional scale this program is considered to have a good chance of success for discovery of major mineral deposits.

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Achievement of production from Anvil and re-entry into active mineral resource exploration and development should make 1969 an exciting year for Dynasty.

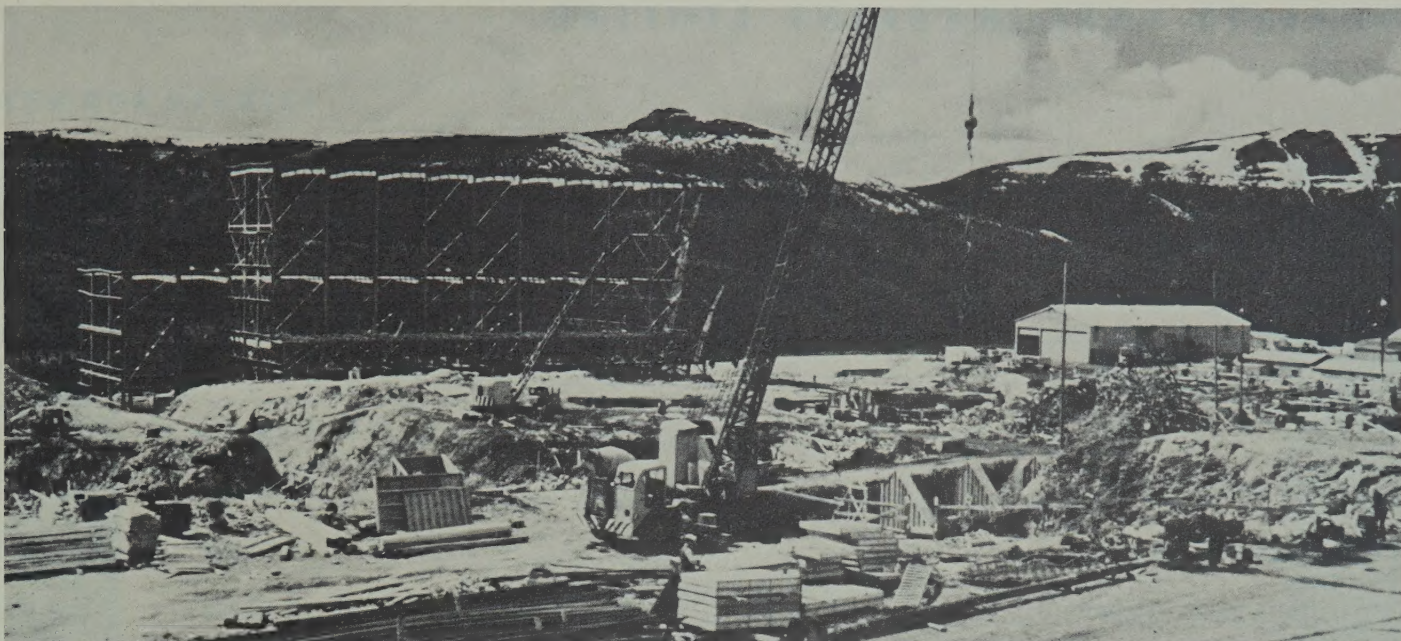
We wish to thank all shareholders, staff, officers, associates, joint venture partners, and the many others who have contributed toward the progress and success of Dynasty and who will continue to devote their efforts to its future.

Respectfully submitted on behalf of the Board of Directors.



Aaro E. Aho

President.



Construction of Anvil concentrator, June 1968.

Pelly River, route of the first fur traders, flowing along Tintina trench, Anvil district and Faro townsite to right.

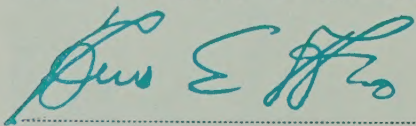


DYNASTY EXPLORATIONS LIMITED

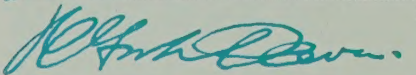
BALANCE SHEET A

	1968	1967
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash		145,062
Accounts receivable	22,256	31,368
Deposit held in trust		75,400
	<u>22,256</u>	<u>251,830</u>
INVESTMENTS (note 2)	9,110,831	2,676,554
FIXED ASSETS (note 3)	61,820	73,218
ORGANIZATION COSTS	6,629	6,629
	<u>9,201,536</u>	<u>3,008,231</u>

SIGNED ON BEHALF OF THE BOARD



Director



Director

DECEMBER 31, 1968

	1968 \$	1967 \$
LIABILITIES		
CURRENT LIABILITIES		
Bank advances	24,800	200,000
Accounts payable and accrued liabilities	16,784	22,712
	41,584	222,712
LONG-TERM DEBT (note 4)	6,804,577	
	6,846,161	222,712
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 6)		
Authorized—		
10,000,000 shares of the par value of \$2 each		
Issued and fully paid—		
2,737,900 shares (1967 - 2,477,900)	1,694,350	1,174,350
CONTRIBUTED SURPLUS	733,144	1,651,575
	2,427,494	2,825,925
DEFICIT	72,119	40,406
	2,355,375	2,785,519
	9,201,536	3,008,231

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Dynasty Explorations Limited as at December 31, 1968 and the statements of earnings, surplus and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
January 24, 1969

McDONALD, CURRIE & CO.
Chartered Accountants

DYNASTY EXPLORATIONS LIMITED

Statement of Surplus for the Year Ended December 31, 1968

\$

CONTRIBUTED SURPLUS

Balance — beginning of year	1,651,575	
Less: Cost of financing		
Discount on issue of debentures	520,000	
Underwriting commission	325,000	
Other expenses	73,431	918,431
Balance — end of year		733,144

DEFICIT

Balance — beginning of year	40,406	
Loss for the year	31,259	
	71,665	
Add: Loss on sale of fixed assets	454	
Balance — end of year		72,119

SURPLUS — December 31, 1968		661,025
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Statement of Earnings for the Year Ended December 31, 1968

\$

INCOME

Interest earned (note 2b)	341,139
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EXPENSES

Accounting and auditing	1,356	
Administration fee	6,000	
Consulting fees	5,850	
Depreciation and amortization	13,209	
Debenture and bank interest (note 4)	309,814	
Legal fees	9,435	
Miscellaneous	9,756	
Rent	1,573	
Salaries	8,073	
Shareholders' reports	3,942	
Stock Exchange fees	8,871	
Travel	3,879	
Trust Company fees	8,340	
	390,098	
Less: Expenses recovered	17,700	372,398

LOSS FOR THE YEAR		31,259
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DYNASTY EXPLORATIONS LIMITED

Statement of Source and Use of Working Capital for the Year Ended December 31, 1968

		\$
SOURCE		
Sale of units comprising:		
7% convertible collateral income debentures	5,980,000	
260,000 shares at \$2 par value	520,000	6,500,000
Investments		9,037
		<u>6,509,037</u>
USE		
In operations (note 7)	54,612	
Anvil Mining Corporation Limited, 7½% Income Bonds, Series D	6,062,000	
Other investments	40,175	
Fixed asset additions — net	2,265	
Debenture financing costs of \$918,431, less \$520,000 being the debenture discount which does not require an outlay of working capital	398,431	6,557,483
DECREASE IN WORKING CAPITAL		48,446
WORKING CAPITAL — beginning of year		<u>29,118</u>
WORKING CAPITAL DEFICIENCY — end of year		<u>19,328</u>
REPRESENTED BY:		
Current assets		22,256
Less: Current liabilities		<u>41,584</u>
WORKING CAPITAL DEFICIENCY		<u>19,328</u>

DYNASTY EXPLORATIONS LIMITED

Notes to Financial Statements for the Year Ended December 31, 1968

1. STATEMENT PRESENTATION

During the year 1966 the company changed its fiscal year-end from August 31 to December 31. As a result the previous financial statements covered the sixteen month period from September 1, 1966 to December 31, 1967 and therefore only a comparative balance sheet has been presented.

2. INVESTMENTS AT DECEMBER 31, 1968

(a) Marketable — Public Companies

	Shares			
	Number	Quoted Value \$	Cost \$	Total \$
Atlas Explorations Limited (N.P.L.)	600,166	1,620,448	2,013,396	2,013,396
Paramount Mining Ltd. (N.P.L.)	72,300	39,765	61,124	61,124
		<u>1,660,213</u>	<u>2,074,520</u>	<u>2,074,520</u>

(b) Other — Private Companies

	Shares		Loans	
	Number	Cost \$		
Anvil Mining Corporation Limited	600,000	375,958	6,312,000	6,687,958
Pelly River Mines Limited (N.P.L.)	100,000	25,714		25,714
Westrim Mining Corporation Ltd. (N.P.L.)	135,000	19,000		19,000
		<u>420,672</u>	<u>6,312,000</u>	<u>6,732,672</u>

Accrued interest on 7½% Income Bonds,

Series D, (U.S. \$281,148)

303,639

7,036,311

TOTAL

9,110,831

Anvil Mining Corporation Limited

The company holds 40% of the issued shares of Anvil as at December 31, 1968. Anvil is preparing its mining property in the Yukon Territory for production and under the terms of a financing agreement the company loaned U.S. \$5,600,000 to maintain this 40% interest. The loans and their security are:

	\$
(i) General Mortgage Bonds, Series C, without interest	250,000
(ii) 7½% Income Bonds, Series D, (U.S. \$5,600,000)	6,062,000
	<u>6,312,000</u>

These bonds constitute a second fixed and floating charge on the assets and undertakings of Anvil. All principal and interest accruing is to be repaid out of production of Anvil as defined in the Second Trust Deed of Anvil.

Pelly River Mines Limited (N.P.L.)

and

Westrim Mining Corporation Ltd. (N.P.L.)

These companies are involved in mining exploration.

Notes To Financial Statements

3. FIXED ASSETS

As at December 31, 1968 the company held the following fixed assets:

	1968			1967
	Cost	Accumulated Depreciation or Amortization	Net	Net
	\$	\$	\$	\$
Office equipment	34,296	18,595	15,701	20,616
Leasehold improvements	64,834	18,715	46,119	52,602
	<u>99,130</u>	<u>37,310</u>	<u>61,820</u>	<u>73,218</u>

4. LONG-TERM DEBT

Under a Trust Deed of March 1, 1968, the company has issued the principal amount of \$6,500,000 of 7% Convertible Collateral Income Debentures, to mature April 1, 1982. As at December 31, 1968 the interest accrued thereon is \$304,577 for a total interest and principal of \$6,804,577.

Interest accrues on these debentures from date of issue, but payment of interest is subject to the availability of Net Cash Income of the company as defined in the Trust Deed. Each \$1,000 principal amount of debentures is convertible into 80 fully paid and non-assessable shares of the company at any time until April 1, 1975 or until such later date at which at least one full year's interest on the debentures has been paid.

All funds to be received from Anvil must be paid to the Trustee for the retirement of the debentures and for payment of interest (except for an amount of up to \$50,000 per year for corporate and administrative costs of the company).

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Remuneration paid to directors in their capacity as officers of the company, to consulting companies controlled by them and to other senior officers totalled \$10,614.

6. CAPITAL STOCK

The company was incorporated on April 23, 1964 as a specially limited company with shares of the par value of 50c each, and on January 26, 1966 was converted from a specially limited company to a limited company with shares of the par value of \$2 each.

Before conversion it had issued shares as follows:

Shares	\$
2,242,500 shares issued for cash, services and property	1,121,250
less discount on 1,575,500 shares	417,700
2,242,500	<u>703,550</u>

After conversion it issued shares as follows:

495,400	990,800
<u>2,737,900</u>	<u>1,694,350</u>

During the year the company issued as part of its \$6,500,000 debenture issue, 260,000 shares at an ascribed value of \$520,000.

Subject to the terms of the debenture issue (note 4) the company has reserved 520,000 shares for the conversion privilege.

Pursuant to an agreement the company has agreed to offer to Cyprus Mines Corporation on the occasion of each new issue of the company's equity securities 20% of the total of such new issues on the same terms as such issues are offered to others.

Notes To Financial Statements

7. WORKING CAPITAL

Working capital used in operations:		\$
Loss for the period		31,259
<i>Add:</i> Credits not providing working capital—		
Interest earned, prior to conversion, on loan converted to shares of Atlas Explorations Limited (N.P.L.)	37,500	
Accrued interest income on 7½% Series D bonds of Anvil Mining Cor- poration Limited (note 2b)	303,639	341,139
		<u>372,398</u>
<i>Less:</i> Charges not depleting working capital—		
Accrued interest expense on 7% Income Debentures (note 4)	304,577	
Depreciation and amortization	13,209	317,786
Working capital used		<u>54,612</u>

DYNASTY EXPLORATIONS LIMITED

OFFICERS

Chairman and President, Dr. Aaro E. Aho
Vice-President, Ronald V. Markham
Executive Vice-President, R. E. Gordon Davis
Secretary, John Bruk
Treasurer, Gordon K. Allan
Asst. Treasurer and Asst. Secretary, Selwyn B. Jones
Comptroller, G. E. Stedman

DIRECTORS

Aaro E. Aho, West Vancouver, B.C.
Ronald V. Markham, Vancouver, B.C.
John Bruk, West Vancouver, B.C.
R. E. Gordon Davis, Vancouver, B.C.
H. R. Whittall, Vancouver, B.C.

HEAD OFFICE

330 Marine Building, 355 Burrard Street,
Vancouver 1, B.C.

REGISTERED OFFICE

801-900 West Hastings Street, Vancouver 1, B.C.

AUDITORS

McDonald, Currie & Co., Chartered Accountants,
Vancouver, B.C.

SOLICITORS

Lawrence & Shaw, Vancouver, B.C.

TRANSFER AGENTS

The Guaranty Trust Company of Canada,
Vancouver, Calgary, Toronto, Montreal



